

**PARKSVILLE WATER DISTRICT**  
**Parksville, Kentucky**



**FINANCIAL STATEMENTS**  
**December 31, 2023**

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## INDEPENDENT AUDITORS' REPORT

The Board of Commissioners  
Parksville Water District  
Parksville, Kentucky

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of the Parksville Water District as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Parksville Water District, as of December 31, 2023, and the respective changes in financial position, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Parksville Water District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Parksville Water District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Parksville Water District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Parksville Water District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statement that collectively comprise the Parksville Water District's basic financial statements. The statement of operating expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the statement of operating expenses is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2024, on our consideration of the Parksville Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Parksville Water District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Parksville Water District's internal control over financial reporting and compliance.

**RFH**

RFH, PLLC  
Lexington, Kentucky  
March 20, 2024

**PARKSVILLE WATER DISTRICT**  
**STATEMENT OF NET POSITION**  
**December 31, 2023**

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**ASSETS**

Current assets	
Cash and cash equivalents	\$ 195,489
Accounts receivable, net	123,151
Prepaid expenses	<u>10,995</u>
Total current assets	<u>329,635</u>
Noncurrent assets	
Restricted cash	110,582
Capital assets	
Construction in progress	743,815
Land	20,099
Property, plant and equipment	5,184,418
Less accumulated depreciation	<u>(2,901,741)</u>
Total noncurrent assets	<u>3,157,173</u>
Total assets	<u>\$ 3,486,808</u>

**LIABILITIES**

Current liabilities	
Accounts payable	\$ 32,528
Accrued liabilities	35,244
Customer deposits	81,497
Current portion of long-term debt	<u>51,500</u>
Total current liabilities	<u>200,769</u>
Noncurrent liabilities	
Bonds and notes payable	<u>1,206,000</u>
Total noncurrent liabilities	<u>1,206,000</u>
Total liabilities	<u>1,406,769</u>

**NET POSITION**

Net investment in capital assets	1,789,091
Restricted	
Customer deposits	81,497
Debt service	45,793
Unrestricted	<u>163,658</u>
Total net position	<u>2,080,039</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 3,486,808</u>

The accompanying notes are an integral part  
of the financial statements.

**PARKSVILLE WATER DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
for the year ended December 31, 2023

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<b>Operating revenue</b>	
Water revenue	\$ 980,804
Miscellaneous	48,139
Penalties	<u>13,731</u>
Total operating revenue	<u>1,042,674</u>
<b>Operating expenses</b>	
Water operating expenses	942,979
Depreciation	<u>140,258</u>
Total operating expenses	<u>1,083,237</u>
Operating (loss)	<u>(40,563)</u>
<b>Nonoperating revenue (expenses)</b>	
Grant income	641,183
Tap on fees	15,400
Interest income	507
Interest expense	<u>(52,074)</u>
Total nonoperating revenue (expenses)	<u>605,016</u>
<b>Change in net position</b>	564,453
Net position at beginning of year, restated	<u>1,515,586</u>
<b>NET POSITION AT END OF YEAR</b>	<u>\$ 2,080,039</u>

The accompanying notes are an integral part  
of the financial statements.

**PARKSVILLE WATER DISTRICT  
STATEMENT OF CASH FLOWS  
for the year ended December 31, 2023**

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from customers	\$ 1,036,876
Payments to suppliers	(713,208)
Payments for employee services and benefits	(233,524)
Receipts of customer meter deposits	<u>6,064</u>
Net cash provided by operating activities	<u>96,208</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Acquisition and construction of capital assets	(655,707)
Customer contributions and tap fees	15,400
Grants received	641,183
Principal paid on capital debt	(50,900)
Interest paid on capital debt	<u>(52,074)</u>
Net cash (used in) capital and related financing activities	<u>(102,098)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Net change in restricted cash	(4,152)
Interest income	<u>507</u>
Net cash (used in) investing activities	<u>(3,645)</u>

Net (decrease) in cash and cash equivalents	(9,535)
Cash and cash equivalents at beginning of year	<u>205,024</u>

**CASH AND CASH EQUIVALENTS AT END OF YEAR** \$ 195,489

**Reconciliation of operating (loss) to net cash provided by operating activities:**

Operating (loss)	\$ (40,563)
Adjustments to reconcile operating (loss) to net cash provided by operating activities:	
Depreciation expense	140,258
Change in assets and liabilities:	
Receivables, net	(5,798)
Accounts payable and other accrued liabilities	(3,753)
Customer deposits	<u>6,064</u>
Net cash provided by operating activities	<u>\$ 96,208</u>

The accompanying notes are an integral part  
of the financial statements.



**PARKSVILLE WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2023**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Parksville Water District (the District) was established in 1966 under KRS 74.010 to provide water service for public health, convenience, fire protection and comfort to the residents of Boyle, Casey and Lincoln County, Kentucky.

**Reporting Entity**

Parksville Water District has been established by the Boyle County Fiscal Court as an independent unit and also appoints three commissioners to serve for four-year terms. The District selects management staff, sets user charges, establishes budgets and controls all aspects of its daily activities.

**Basis of Accounting**

Parksville Water District prepares its financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP).

Parksville Water District is accounted for on a flow of economic resources measurement focus. With this measurement focus all assets and liabilities associated with the operation of these funds are included on the statement of net position. The net position of the District is classified into three categories: net investment in capital assets, restricted and unrestricted. The restricted net position consists of reserves for depreciation costs relating to the construction, replacement, extension, additions and/or improvements to the system.

The accrual basis of accounting is utilized by the District. Under this method, revenues are recognized when earned and expenses are recognized when incurred.

**Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Cash**

The statement of cash flows includes cash on deposit and cash on hand, but does not include any restricted cash.

**Property and Equipment**

Property and equipment are stated at cost and are depreciated over the estimated useful life of the assets using the straight-line method of depreciation. Depreciation expense for the year ended December 31, 2023 was \$140,258. Listed below is the life for each class of assets:

<b>Class of Assets</b>	<b>Estimated Useful Life</b>
Structures and improvements	40-50 years
Utility plant	40-50 years
Furniture, fixtures and equipment	7-10 years
Vehicles	5 years

**Compensated Absences**

The amount accrued for compensated absences for the year ended December 31, 2023 was \$21,782.

**PARKSVILLE WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2023**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Accounts Receivable**

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history with customers having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial.

**Water Purchase Contract**

The District has an agreement with the City of Danville to purchase potable treated water from the City.

**Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In addition to its general liability insurance, the District carries commercial insurance for various other risks of losses such as workers' compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**Restricted and Unrestricted Funds**

It is the policy of the District to spend restricted funds first when both restricted and unrestricted funds are available.

**Cash Deposits**

Restrictions on cash deposits are as follows:

Revenue Fund

All revenues of the system are required to be deposited into a Revenue Fund. The Revenue Fund disburses funds as required by Bond Resolution. Amounts sufficient to meet the current expenses of operating and maintaining the system are transferred from the Revenue Fund to the Operations and Maintenance Fund on an as needed basis. The Bond Resolution also requires that within sixty days after the end of each fiscal year, any excess funds in the Revenue Fund are to be transferred to the Depreciation Fund or to the Sinking Fund to purchase or redeem outstanding bonds. The District has determined the funds in the Revenue account were needed for future operational purposes.

Depreciation Reserve Funds

Amounts in the Depreciation Reserve Fund may be withdrawn and used by the District for unusual or extraordinary maintenance, repairs, renewals, and replacements not included in the annual budget or current expenses, constructing future extensions, additions, or improvements to the District, and when necessary, for making payments of principal and interest on bonds if the cash on deposit in the Sinking Fund is not sufficient.

During the year ended December 31, 2023, the District was required to transfer at least \$780 per month into the Depreciation Reserve Fund. The required transfer will continue until all the Waterworks Revenue Bonds are paid in full.

The bonds issued in 2014 added a requirement for a reserve fund for the replacement of short-lived assets. The District was required to deposit \$2,514 a month into the short-lived assets fund.

Sinking Fund

The District was required to transfer monthly into the Sinking Fund, a monthly amount of \$8,766 for 2023, to make required principal and interest payments. The District will be required to transfer \$8,622 monthly during 2024.

**PARKSVILLE WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2023**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Change in Accounting Policy**

Effective January 1, 2023, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-based Information Technology Arrangements*. GASB Statement No. 96 requires recognition of a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability for subscription-based information technology arrangements (SBITA) that were previously classified as operating expenses. It establishes uniform guidance for SBITA accounting based on the foundational principle that SBITA are financings of the right to use vendor-provided information technology assets. Government entities are required to recognize a subscription liability and an intangible right-to-use subscription asset. These changes had no effect on the financial statements.

**Subsequent Events**

The District has evaluated and considered the need to recognize or disclose subsequent events through March 20, 2024, which represents the date these financials statements were available to be issued. Subsequent events past this date, as they pertain to the year ended December 31, 2023, have not been evaluated by the District.

The District is planning various system improvements including meter replacement, water tank repairs and creek crossings. The total expected cost is \$2,300,000. The District has received a commitment for \$1,245,000 of Coronavirus State and Local Fiscal Recovery Funds. The cost of this project through December 31, 2023, is \$743,815.

**2. CASH**

KRS 66.480 authorizes the District to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposits issued by or other interest-bearing accounts of any bank or savings and loan institution which have a physical presence in Kentucky and are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4). The Statute also authorizes investment in mutual funds, exchange traded funds, individual equity securities and high-quality corporate bonds that are managed by a professional investment manager and subject to additional requirements outlined in KRS 66.480.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The District does not have a policy regarding interest rate risk.

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. In order to anticipate market changes and provide a level of security for all funds, the collateralization level shall be one hundred percent of the market value of the principle, plus accrued interest.

All deposits are checking or savings accounts. The carrying amount of the District's bank deposits was \$306,071 and for the year ended December 31, 2023 and the bank balances totaled \$412,484 for the year then ended. The bank balances are covered by \$250,000 of FDIC insurance. The remaining bank balances were fully collateralized.

**PARKSVILLE WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2023**

**3. PROPERTY AND EQUIPMENT**

Property and equipment activity for the year ended December 31, 2023 is as follows:

	Balance December 31, 2022	Additions	Deductions	Balance December 31, 2023
Capital assets not depreciated:				
Construction in progress	\$ 103,520	\$ 640,295	\$ -	\$ 743,815
Land and land rights	18,648	1,451	-	20,099
Total capital assets not depreciated	<u>122,168</u>	<u>641,746</u>	<u>-</u>	<u>763,914</u>
Capital assets depreciated:				
Utility plant:				
Pumping equipment	855,221	-	-	855,221
Distribution reservoirs and standpipes	249,699	-	-	249,699
Transmission and distribution mains	3,122,384	-	-	3,122,384
Meters	517,961	-	-	517,961
Hydrants	2,838	-	-	2,838
Other plant	136,035	-	-	136,035
Total utility plant	4,884,138	-	-	4,884,138
Structures and improvements	116,686	10,100	-	126,786
Other equipment	68,380	1,327	-	69,707
Vehicles	103,787	-	-	103,787
Total capital assets depreciated	5,172,991	11,427	-	5,184,418
Less accumulated depreciation	<u>(2,761,483)</u>	<u>(140,258)</u>	<u>-</u>	<u>(2,901,741)</u>
Net capital assets depreciated	<u>2,411,508</u>	<u>(128,831)</u>	<u>-</u>	<u>2,290,696</u>
Net property and equipment	<u>\$ 2,533,676</u>	<u>\$ 512,915</u>	<u>\$ -</u>	<u>\$ 3,046,591</u>

**PARKSVILLE WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2023**

**4. LONG-TERM DEBT**

Parksville Water District Revenue Bonds

The District has authorized the issuance of various bonds to finance the cost of construction of extensions, additions and improvements to the system. The Parksville Water District Revenue Bonds have been purchased by Rural Development of the U.S. Department of Agriculture. The bonds are payable solely on a first lien basis out of gross revenues derived from the operation of the District over forty years. See note 1 for a discussion of cash requirements and restrictions relating to these bonds.

The bonds are as follows:

Bond Issue	Interest	December 31, 2022	Increases	Decreases	December 31, 2023
1995	5.125%	\$ 359,000	\$ -	\$ 23,000	\$ 336,000
1999	4.750%	347,000	-	15,000	332,000
2002 Series A	4.500%	76,400	-	2,400	74,000
2014 Series A	3.000%	451,000	-	9,000	442,000
2014 Series B	3.250%	75,000	-	1,500	73,500
<b>Total</b>		<u>\$ 1,308,400</u>	<u>\$ -</u>	<u>\$ 50,900</u>	<u>\$ 1,257,500</u>

Future bond payments and sinking fund requirements are required as follows:

December 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 51,500	\$ 51,969	\$ 103,469
2025	54,700	49,632	104,332
2026	57,300	47,135	104,435
2027	59,400	44,520	103,920
2028	63,000	41,802	104,802
2029-2033	359,400	163,194	522,594
2034-2038	277,100	85,144	362,244
2039-2043	111,600	44,791	156,391
2044-2048	105,500	27,706	133,206
2049-2053	<u>118,000</u>	<u>10,760</u>	<u>128,760</u>
<b>Totals</b>	<u>\$ 1,257,500</u>	<u>\$ 566,653</u>	<u>\$ 1,824,153</u>

**5. CONTRIBUTED CAPITAL**

	Contributions and Tap on Fees	Grants	Total
Balance – January 1, 2023	\$ 801,031	\$ 2,161,659	\$ 2,962,690
Additions – 2023	<u>15,400</u>	<u>641,183</u>	<u>656,583</u>
Balance – December 31, 2023	<u>\$ 816,431</u>	<u>\$ 2,802,842</u>	<u>\$ 3,619,273</u>

**6. METER CUSTOMERS**

The District had 1,669 metered customers at December 31, 2023.

**PARKSVILLE WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2023**

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**7. RETIREMENT PLAN**

The District adopted a retirement plan which became effective on January 1, 1996. It is a defined contribution plan which provides retirement benefits for each employee who has completed one year of service and has reached his/her 21st birthday. The District contributes seven percent (7%) of the participating employees' gross salaries. Each participating employee contributes three percent (3%). Employees become twenty percent (20%) vested in the District's contributions after one full year of employment with an additional twenty percent (20%) for each additional full year of employment, thereafter becoming fully vested after five (5) full years of employment. The District's contribution to the plan totaled \$17,522 in 2023. The District's employees contributed \$6,888 during 2023.

**8. RESTATEMENT**

The following restatements were made to the December 31, 2022 balances:

Original net position	\$ 1,559,086
Prepaid insurance	8,000
Long-term debt	<u>(51,500)</u>
Net position, restated	<u>\$ 1,515,586</u>

**SUPPLEMENTARY INFORMATION**

**PARKSVILLE WATER DISTRICT  
STATEMENT OF OPERATING EXPENSES  
for the year ended December 31, 2023**

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<b>Source of supply</b>	
Purchased water	\$ 324,988
<b>Pumping expense</b>	
Fuel	38,441
<b>Transmission and distribution</b>	
Operational labor	41,094
Transmission labor	86,272
Operational supplies	537
Transmission supplies	58,121
Contractual services operations	9,938
Contractual services maintenance	17,307
Transportation expense	24,449
Miscellaneous maintenance	2,508
<b>Customer accounts</b>	
Meter reading labor	25,680
Accounting and collecting labor	30,762
Supplies	10,455
Uncollectible accounts	355
<b>Administrative and general</b>	
Labor	95,518
Employee benefits	102,798
Supplies	5,066
Contractual services	24,208
Miscellaneous	13,844
Insurance	20,330
Accounting and auditing	9,000
Regulatory commission expense	<u>1,308</u>
 Total operating expenses	 <u>\$ 942,979</u>





**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Board of Commissioners  
Parksville Water District  
Parksville, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Parksville Water District, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Parksville Water District's basic financial statements, and have issued our report thereon dated March 20, 2024.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Parksville Water District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Parksville Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Parksville Water District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and response as item 2023-001 that we consider to be a significant deficiency.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Parksville Water District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Parksville Water District's Response to Finding**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Parksville Water District's response to the finding identified in our audit and described in the accompanying schedule of findings and responses. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**RFH**

RFH, PLLC  
Lexington, Kentucky  
March 20, 2024

**PARKSVILLE WATER DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
December 31, 2023**

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**Finding 2023-001 Significant Deficiency – Financial Statements**

Criteria: The District is required to have internal controls in place that enable it to prepare complete financial statements, including note disclosures, in compliance with generally accepted accounting principles.

Condition: The District does not have the internal control procedures required to draft the financial statements in conformity with generally accepting accounting principles.

Cause: The District lacks personnel with the expertise to apply generally accepted accounting principles in preparing its financial statements including note disclosures and thus, does not have the internal control procedures required to draft the financial statements in conformity with generally accepted accounting principles.

Effect: Management engaged the auditor to prepare draft financial statements, including the related notes to the financial statements. Management reviewed, approved and accepted responsibility for the financial statements prior to their issuance.